

# President and CEO Masayoshi Fujimoto on Strategy



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**Masayoshi Fujimoto**  
President and CEO

**We will emphasize speed in establishing and growing clusters of revenue-generating businesses that leverage our unique strengths.**

**We are steadily generating results and achieving our initial plan objectives.**

We have completed the second year of Medium-term Management Plan 2017, and have achieved solid outcomes so far.

I was Senior Managing Executive Officer responsible for corporate planning and investor relations prior to becoming President and CEO in June 2017. As the officer responsible for corporate planning, I oversaw the formulation and implementation of Medium-term Management Plan 2017. Furthermore, as the officer responsible for IR, I had many conversations with a wide array of investors, and I would like to explain Sojitz's

strategy by focusing on the questions that investors frequently asked me.

First, I would like to summarize our performance during the year ended March 31, 2017. Profit for the year (attributable to owners of the Company) increased ¥4.3 billion year on year to ¥40.8 billion thanks to steady implementation of strategies by each division, backed by factors including the stable growth of the U.S. economy, economic recovery in emerging countries, and a rebound in the prices of certain resources. We ensured asset soundness by addressing concerns regarding our grain collection business, recognizing impairment losses to eliminate the risk of future losses. This enhanced our foundation for stable earnings and our potential for steady progress in the future.

We forecast profit for the year (attributable to owners of the Company) of ¥50 billion for the year ending March 31, 2018. Our forecast is below the initial earnings target of Medium-term Management Plan 2017, but we will achieve it and build an earnings foundation that consistently generates ¥50 billion in profit for the year. On the other hand, we forecast that we will achieve our targets of return on assets (ROA) of 2% or higher and return on equity (ROE) of 8% or higher.

One of the strategies of the current management plan for developing the capacity to generate profit for the year of at least ¥50 billion is to create clusters of revenue-generating businesses that earn ¥5 billion to ¥10 billion in profit for the year. When we launched the plan, only the Chemicals Division had a cluster of revenue-generating businesses earning more than ¥5 billion annually, but now six of our nine divisions are slated to have such clusters by March 31, 2018. As each division increases its scale to give it presence and positioning, we are steadily building the clusters we envisioned at the start of the plan.

Our approach to shareholder returns involves establishing a clear growth trajectory and generating meaningful growth to increase shareholder value. Our

basic policy is to meet shareholder expectations with stable, consistent dividends with a target payout ratio of around 25% during the plan.

## We are confidently executing our plan for new investments and loans.

Investors have asked many questions about Sojitz's approach to new investments and loans. Their most frequent question is whether Sojitz can really achieve an investment and loan total of ¥150 billion during the year ending March 31, 2018, the final year of Medium-term Management Plan 2017. Granted, these concerns stem from this amount being half of the ¥300 billion in investments and loans scheduled for the entire three years of the plan. But met with these concerns, I only have this to say: Investors have nothing to worry about. It is true that we took a disciplined approach to investments and loans during the first two years of the current management plan. However, our portfolio of project proposals changed significantly from the middle of the year ended March 31, 2017. Partly because we had been tenaciously negotiating projects, the number of

### New Investments and Loans

Investments and loans planned for 3-year period of Medium-term Management Plan 2017 <b>¥300 billion</b>	Years Ended March 31, 2016 and 2017 <b>Results ¥157 billion</b>	Year Ending March 31, 2018 <b>Plan ¥150 billion</b>
	(Major investments and loans)	(Major prospective investments and loans)
<b>Automotive-related businesses</b>	<ul style="list-style-type: none"> <li>• Dealership business in the Americas, etc.</li> </ul>	<ul style="list-style-type: none"> <li>• Dealership business</li> <li>• Automotive-related service businesses, etc.</li> </ul>
<b>Aerospace-related businesses</b>	<ul style="list-style-type: none"> <li>• Part-out business, etc.</li> </ul>	<ul style="list-style-type: none"> <li>• Aircraft sales and leasing business</li> <li>• Part-out business, etc.</li> </ul>
<b>Infrastructure-related businesses</b>	<ul style="list-style-type: none"> <li>• Solar power in Japan</li> <li>• North American railway business</li> <li>• IPPs, etc.</li> </ul>	<ul style="list-style-type: none"> <li>• PPPs in emerging countries</li> <li>• Renewable energy businesses</li> <li>• IPPs in emerging countries and the U.S., etc.</li> </ul>
<b>Chemical-related businesses</b>	<ul style="list-style-type: none"> <li>• Acquisition of European chemical distributor and marketing company, etc.</li> </ul>	<ul style="list-style-type: none"> <li>• Chemical resources businesses, etc.</li> </ul>
<b>ASEAN foods and retail-related businesses</b>	<ul style="list-style-type: none"> <li>• Convenience store business</li> <li>• Fertilizer operations in Myanmar, etc.</li> </ul>	<ul style="list-style-type: none"> <li>• ASEAN foods value chain</li> <li>• Consumer goods distribution and wholesale, etc.</li> </ul>

proposals brought before the Finance & Investment Deliberation Council recently has about doubled from previous years. Moreover, we have added many promising projects to the list and believe our investments and loans will proceed largely as planned.

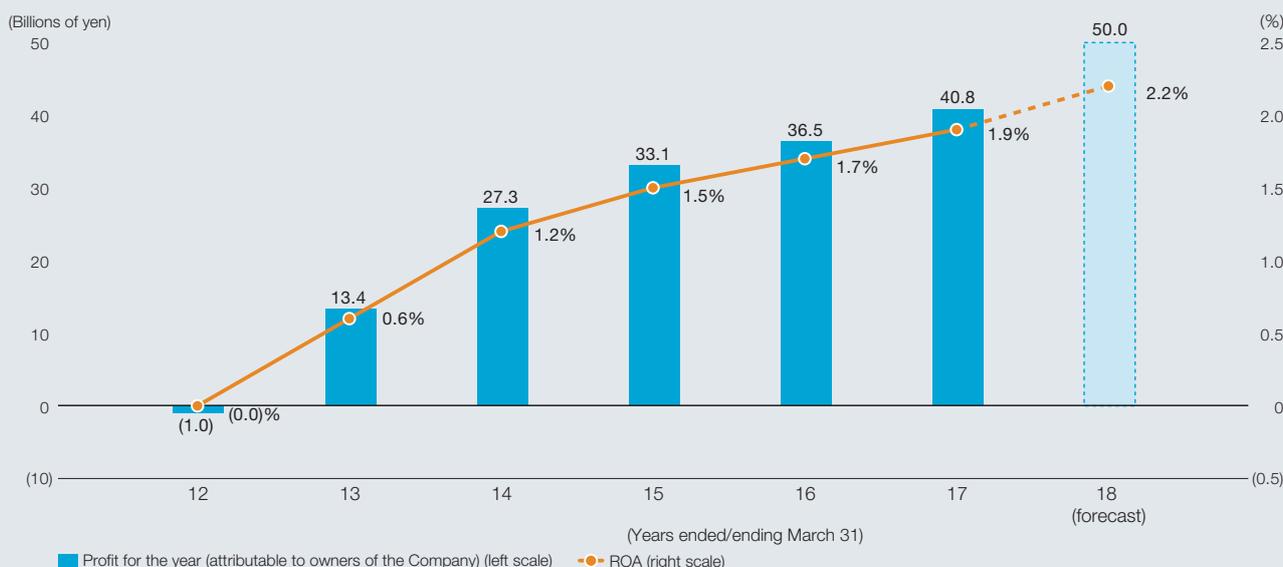
Conversely, as general trading companies do not seem to be investing all that successfully, investors have voiced concerns about Sojitz's aggressive approach to investments and loans. Our disciplined approach to investments and loans will not change, however. We will maintain rigorous, meticulous risk control and emphasize investments and loans in automobiles, aerospace and infrastructure – business areas where we have the greatest advantage, knowledge and partners. Vietnam is one of our strongest geographic areas, and going forward, we intend to invest in food and retail in Vietnam and other ASEAN countries. We are working to create a robust asset portfolio for these businesses so that in five years, they may demonstrate our ability to generate steady growth in earnings in Asia. Together with these new investments and loans, we will continue to conduct asset replacement as we have in the past.

## Our objective is to increase corporate value with an intense focus on speed.

At this point I would like to talk a bit about myself. Since joining Sojitz I have mainly been involved in automobile-related businesses. My experience has included stints in Detroit, USA and in Poland, and I was president of a car assembly and sales company in Venezuela for three years from 2008. This company had 1,800 employees, and at one time contributed significantly to Sojitz's earnings. As president, I also experienced the very real concern of country risk when I had to deal with a string of problems that required difficult decisions, including major labor disputes and a local currency that plummeted in value when resource prices fell. What I felt most at that time was that speed is the lifeblood of management decisions. Speed means things progress quickly, creating time for correcting problems and consequently minimizing risk. In addition, my dealings with global companies showed me how their clear lines of reporting support fast decision-making.

As President and CEO of Sojitz, I still see speed as the key to accelerating growth. Speed will give us the

### Profit for the Year (Attributable to Owners of the Company) and ROA



advantage to prevail in various markets over competitors, such as major general trading companies with more assets.

Specifically, this means that while we do not plan to sacrifice discipline for haste with regard to new investments and loans, there is certainly room for improvement by accelerating the initial phases of business conceptualization and project structuring. We are determined to improve and strengthen our approach in these areas and to transform our corporate culture to enable swift initiatives Group-wide.

## **We want to nurture front-line people so they can realize their dreams.**

Sojitz emphasizes its concept of “two types of value” in value creation. “Value for Sojitz” includes the profit, people and expertise we gain from our business that enhance our business foundation. Meanwhile, “value for society” is created by resolving social issues to support the development of the economy, industry, and daily life. Maximizing both types of value is our value creation ideal.

The source of value creation and the key to achieving the growth strategy I discussed earlier is none other than the capabilities of our people. Sojitz is a general trading company – an enterprise that resolves social issues through the businesses it creates. As such, I want Sojitz to be the kind of company that empowers employees to realize their dreams.

Our policy of developing the capabilities of our people emphasizes putting the right person in the right position and training staff through experiences on the front lines. Based on my own experience at our overseas subsidiaries, for example, I strongly believe that entrusting work to local staff who share a common goal, mindset, knowledge, expertise and extensive personal connections brings great success more often than not. Training and education systems are important for nurturing our people, but I also want to create an environment that puts emphasis on letting young employees take responsibility for negotiations and gain experience in creating and managing businesses by



themselves. Sojitz has five guiding principles including “Innovation” and “Perseverance,” and I intend to use them as signposts to guide Sojitz toward its ideals. I will personally concentrate my efforts on enabling employees to embrace these principles and put them into practice.

## **My mission is to keep Sojitz on a continuous growth trajectory.**

As the new President and CEO, I recognize the overriding importance of accelerating meaningful growth and development for Sojitz. I intend to carry on Sojitz’s history and values while creating new growth. My predecessor, Chairman of the Board Yoji Sato, described me as “straightforward” at the press conference announcing my appointment. He was referring to my personal policy of directly expressing what I am thinking. I intend to present a clear vision and the rationale for my thinking, to provide swift, sure leadership.

For Sojitz to demonstrate its value to society and increase corporate value, the understanding and cooperation of its stakeholders is essential. My mission is to keep Sojitz on a continuous growth trajectory. In doing so, I am committed to emphasizing dialogue with our stakeholders and ensuring that Sojitz earns the trust of society at large. I thank you all for your continuing guidance and support.